

Message Text

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ACTION EUR-10

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FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 7245

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TRIPOLI

USMISSION EC BRUSSELS

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C O N F I D E N T I A L SECTION 01 OF 02 BONN 12715

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, GW, LY, EC

SUBJECT: BILATERAL ENERGY CONSULTATIONS: FRG VIEWS
ON LIBYA, OIL SHARING ARRANGEMENTS, EC ENERGY POLICY

1. SUMMARY. IN DISCUSSIONS SEPTEMBER 4 WITH BENNSKY,
FRG ECONMIN ASSISTANT SECRETARY LANTZKE SAID HE
BELIEVED IT WOULD NOT BE POSSIBLE TO GET MAJOR CONSUMER
COUNTRY AGREEMENT ON AN EMBARGO OF LIBYAN OIL. HE
DOUBTED THAT THE FRG COULD PARTICIPATE IN AN EMBARGO,
IF ONE WERE CONSIDERED. A SHUT-IN OF THE MAJORS'
PRODUCTION IN LIBYA WOULD HURT THE FRG BUT NOT RIGHT
AWAY. EARLY AGREEMENT ON AN OECD-WIDE SHARING
ARRANGEMENT IS VERY IMPORTANT TO THE FRG, BUT LANTZKE
DOUBTED THAT AN AGREEMENT WOULD HAVE TO BE TRIGGERED
BEFORE 1977. END SUMMARY.

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2. FSE DIRECTOR GEORGE BENNSKY AND EMBOFF MET

SEPTEMBER 4 WITH ECONOMICS MINISTRY ASSISTANT SECRETARY LANTZKE AND HIS DEPUTY, KLING, FOR A WIDE-RANGING DISCUSSION OF INTERNATIONAL OIL AND ENERGY POLICY QUESTIONS. HIGHLIGHTS OF DISCUSSION ON CURRENT ISSUES ARE REPORTED BELOW.

LIBYA

3. LANTZKE NOTED THAT A SHUT-DOWN OF THE MAJORS' PRODUCTION WOULD CAUSE SERIOUS NEAR-TERM, BUT NOT IMMEDIATE, PROBLEMS FOR THE FRG. THE MAJORS' PRODUCTION IN LIBYA PROVIDES 8 - 10 PERCENT OF THE FRG'S IMPORTS OF CRUDE PLUS PRODUCTS. BECAUSE OF ITS LOW SULPHUR CONTENT, LIBYAN CRUDE IS BLENDED BY MOST REFINERIES IN THE FRG. A SHUT-DOWN NOW OF THE MAJORS IN LIBYA WOULD CAUSE REAL SHORTAGES HERE, FIRST OF ALL, IN LIGHT FUEL OIL, BUT PROBABLY NOT UNTIL NOVEMBER IF WITHHOLDING AND HOARDING COULD BE PREVENTED. UNDER THESE CIRCUMSTANCES HE SAW NO CAUSE FOR ACTIVATING THE EUROPEAN SHARING ARRANGEMENT BEFORE THEN.

4. THE FRG, LANTZKE SAID, WOULD BE "UNDERSTANDING" REGARDING THE MAJORS' POSITION IN LIBYA AND WOULD TRY NOT TO UNDERMINE IT. HE ALSO BELIEVED THAT THE FRENCH WOULD NOT "PLAY AROUND" IN LIBYA RIGHT NOW, BUT HE WAS NOT SURE WHAT THE ITALIANS MIGHT DO.

5. IN LIGHT OF THE ATTITUDE OF AT LEAST SOME EUROPEAN GOVERNMENTS, LANTZKE FELT A GOVERNMENT-SPONSORED EMBARGO OF LIBYAN CRUDE FROM NATIONALIZED PROPERTIES WAS NOT POSSIBLE. HE DOUBTED THAT THE FRG COULD PARTICIPATE IN A GENERAL EMBARGO. IN DOMESTIC POLITICAL TERMS, IT WAS PROBABLY NOT TENABLE FOR THE FRG TO APPEAR TO ASK ITS CONSUMERS TO PAY, THROUGH SHORTAGES, FOR SUPPORT OF FOREIGN OIL COMPANIES' POSITION IN LIBYA.

6. IN ITS PUBLIC POSTURE ON LIBYA, LANTZKE CONTINUED, THE FRG COULD NEITHER ASSUME A HARSH ATTITUDE TOWARD THE LRG OR A POSITION OF DIRECT AND OPEN SUPPORT FOR

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THE MAJORS VIZ A VIZ THE LRG. HE HOPED THE U.S. WOULD APPRECIATE THE REASONS FOR THIS.

7. ON POSSIBLE PURCHASES OF "HOT OIL", LANTZKE SAID THIS SITUATION, IF IT AROSE IN THE FRG, WOULD BE A MATTER FOR THE COURTS. HE NOTED THAT IN A HAMBURG CASE INVOLVING CHILEAN COPPER, A HIGHER COURT HAD OVERTURNED AN EARLIER RULING WHICH HAD BARRED

THE FRG PURCHASER FROM TAKING DELIVERY.

8. THE GERMAN COMPANY IN LIBYA, GELSENBERG, WAS
CAUGHT BETWEEN TWO MILLING STONES (THE LRG AND THE
MAJORS, INCLUDING ITS LIBYAN PARTNER MOBIL) AS LANTZKE
SAW IT. BASICALLY, GELSENBERG'S SITUATION WAS SIMILAR
TO THAT OF THE AMERICAN INDEPENDENTS, WITH THE ONE
MAJOR DIFFERENCE THAT MOBIL (NOT MOBIL AND GELSENBERG

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JOINTLY) WAS THE OPERATOR OF THE CONCESSION FROM
WHICH GELSENBERG GOT ITS LIBYAN OIL.

OIL SHARING ARRANGEMENT

9. AN OECD-WIDE SHARING ARRANGEMENT MAY NOT BE
NEEDED UNTIL 1977 OR SO, ACCORDING TO LANTZKE. BUT THE

FRG PLACED VERY HIGH PRIORITY ON GETTING A POLITICAL COMMITMENT TO SUCH AN ARRANGEMENT SHORTLY. IN FACT, LANTZKE FELT IF GOVERNMENTS COULD NOT NOW WORK OUT A SHARING AGREEMENT, IT WOULD PROBABLY BECOME IMPOSSIBLE TO DO SO LATER. WHILE LANTZKE VIEWED THE CURRENT DISAGREEMENT OVER THE BASE FOR A SHARING ARRANGEMENT AS MAINLY A US/JAPANESE PROBLEM, HE SAID THAT EUROPE'S POSITION WAS CLOSER TO JAPAN'S, I.E. EUROPE FAVORED USING CONSUMPTION AS THE BASE FOR SHARING. HE ASSUMED THAT THE U.S. POSITION, FAVORING OVERSEAS

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SHIPMENTS OF OIL AS THE BASE, WAS ONLY OUR OPENING POSITION. BENNSKY SAID THIS WAS STILL OUR POSITION, ALTHOUGH WE WERE NATURALLY CONTINUING TO CONSIDER THE PROBLEM, INCLUDING THE REACTIONS OF OTHERS TO THE U.S. POSITION.

10. LANTZKE BELIEVED THAT IN THE END THE FORMULA FOR THE BASE MAY HAVE TO BE A COMPLEX ONE. BUT THE IMPLEMENTING MECHANISM SHOULD BE AS SIMPLE AND EFFICIENT AS POSSIBLE.

EC ENERGY POLICY

11. IN AN EXTENSIVE DISCUSSION OF EC CONSIDERATION OF AN ENERGY POLICY, LANTZKE REFLECTED THE GENERAL FRG ATTITUDE OF

- 1) SUPPORT FOR DEVELOPMENT OF AN EC POLICY
- 2) DISCOURAGEMENT WITH PROGRESS SO FAR
- 3) UNWILLINGNESS TO SUBMIT TO AN EC ENERGY POLICY RUN ON THE FRENCH TERMS OF LAST MAY AND
- 4) INTENT TO PROCEED WITH ITS OWN INTERNATIONAL AND DOMESTIC ENERGY INITIATIVES WITHOUT MAKING PRESUMPTIONS ABOUT THE NEAR-TEAM DEVELOPMENT OF EC POLICIES. REGARDING FUTURE EC DISCUSSIONS, LANTZKE EXPRESSED A STRONG VIEW THAT AN EC ENERGY POLICY WOULD NOT SURVIVE ANOTHER ABORTIVE COUNCIL SESSION SIMILAR TO THAT OF MAY 22. HE, THEREFORE, WAS NOT WILLING TO SCHEDULE ANOTHER UNTIL PROSPECTS FOR CONSTRUCTIVE PROGRESS WERE CLEAR. HE THOUGHT THIS FALL WAS TOO EARLY FOR ANOTHER "ENERGY COUNCIL."

HILLENBRAND

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